



Corporate Governance

Audit & Risk Committee – Terms of Reference

Authorised by	SIG plc Board
Adopted	22 September 2023
Version	10

Reference to “the Committee” shall mean the Audit & Risk Committee.

Reference to “the Board” shall mean the Board of Directors of SIG plc.

1. MEMBERSHIP

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee, and in consultation with the Committee’s Chair. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.
- 1.2. The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. At least one member shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 1.3. Subject to the terms of the Relationship Agreement entered into between CD&R Sunshine S.À R.L. and SIG plc dated 29 May 2020, which permits the appointment of an observer to the Committee by CD&R Sunshine S.À R.L. in certain circumstances, only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer, head of internal audit, Group Financial Controller and external audit lead partner will be invited to attend meetings of the Committee on a regular basis, at the discretion of the Committee Chair, and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 1.4. The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2. SECRETARY

The Company Secretary, or their nominee, shall act as the secretary of the Committee and will ensure that the Committee (and any observer appointed as referred to in section 1.3) receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. QUORUM

The quorum necessary for the transaction of business shall be two members (including, whenever possible, at least one member with recent and relevant financial experience).

4. FREQUENCY OF MEETINGS

The Committee shall meet not less than three times a year and at such other times as the Chair of the Committee shall require, and generally at appropriate intervals in the financial reporting and audit cycle. Outside of the formal meeting programme, the Committee Chair, and to a lesser extent the other Committee members, will maintain dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

5. NOTICE OF MEETINGS

- 5.1. Meetings of the Committee shall be convened by the Secretary at the request of the Committee Chair or any of its members, or at the request of the Chief Financial Officer, external audit lead partner or head of internal audit if they consider it necessary.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and any observer appointed as referred to in section 1.3, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. MINUTES OF MEETINGS

- 6.1. The Secretary shall minute the proceedings, decisions and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and will ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, exceptionally, a conflict of interest exists or it would be inappropriate to do so in the opinion of the Committee Chair.

7. ENGAGEMENT WITH SHAREHOLDERS

The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any Shareholder questions on the Committee's activities. In addition the Committee chair should seek engagement with Shareholders on significant matters related to the Committee's areas of responsibility.

8. DUTIES

The Committee should carry out the duties below and have oversight for the Company, major subsidiary undertakings and the Group as a whole, as appropriate (unless required otherwise by regulation). In exercising its duties, the Committee will maintain close consultation and liaison with the Chief Executive Officer and Chief Financial Officer.

8.1. FINANCIAL REPORTING

8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, trading statements/updates, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.

8.1.2. In particular, the Committee shall review and challenge where necessary:

- 8.1.2.1 the application of significant accounting policies and any changes to them;
- 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.1.2.3 whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
- 8.1.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- 8.1.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements (relating to the audit, risk and to risk management);

- 8.1.3 the Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook; and
- 8.1.4 where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

8.2. NARRATIVE REPORTING

Where requested by the Board, the Committee should review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to enable Shareholders to assess the position and performance, strategy and business model of the Company and whether it informs the Board's statement in the Annual Report on these matters that is required under the UK Corporate Governance Code (the "Code").

8.3. INTERNAL CONTROLS, RISK AND RISK MANAGEMENT SYSTEMS

The Committee shall:

- 8.3.1. keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks;
- 8.3.2. oversee the effectiveness of the risk management procedures in place and the steps being taken to mitigate the Company's risks;
- 8.3.3. review the design, completeness and effectiveness of the risk management framework relative to the Company's activities;
- 8.3.4. satisfy itself that risk-based information is used effectively by management and the Board;
- 8.3.5. in relation to risk assessment:
 - 8.3.5.1 keep under review the Company's overall risk assessment processes that inform the Board's decisions;
 - 8.3.5.2 review regularly and approve the parameters used and the methodology adopted; and
 - 8.3.5.3 monitor large exposures and certain risk types of critical importance;
- 8.3.6 review the Company's capability to identify and manage new risks;

- 8.3.7 undertake deep-dive reviews into significant risks at the request of the Board or where, in the Committee's view, further scrutiny is required;
- 8.3.8 consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively; and
- 8.3.9 review and approve the statements to be included in the Annual Report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

8.4 COMPLIANCE FRAUD

The Committee shall:

- 8.4.1 review the Company's procedures for detecting fraud; and
- 8.4.2 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

8.5 INTERNAL AUDIT

Where there is no internal audit function, the Committee shall consider annually whether there should be one and make recommendation to the Board accordingly.

Where there is an internal audit function, the Committee shall:

- 8.5.1 monitor and assess the role and effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor;
- 8.5.2 approve the appointment and removal of the head of the internal audit function;
- 8.5.3 ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with professional standards for internal auditors;
- 8.5.4 review and approve the annual internal audit plan, ensuring that the plan is aligned to the key risks of the business, and receive regular reports on work carried out;
- 8.5.5 review promptly all reports on the Company from the internal auditors;

- 8.5.6 review and monitor management's responsiveness to the findings and recommendations of the internal audit function;
- 8.5.7 carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment:
 - 8.5.7.1 meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
 - 8.5.7.2 review and assess the annual internal audit work plan;
 - 8.5.7.3 receive a report on the results of the internal auditor's work;
 - 8.5.7.4 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - 8.5.7.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- 8.5.8 ensure the internal auditor has direct access to the Board Chair and to the Committee Chair, providing independence from the Executive and accountability to the Committee; and
- 8.5.9 consider whether an independent, third party review of processes is appropriate.

8.6 EXTERNAL AUDIT

The Committee shall:

- 8.6.1 consider and make recommendations to the Board on an annual basis, to be put to Shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 8.6.2 develop and oversee the selection procedure for the appointment of the external audit firm in accordance with applicable Code and regulatory requirements ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 8.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.6.4 oversee the relationship with the external auditor including (but not limited to):

- 8.6.4.1 approval of their remuneration, including both fees for audit and non-audit services and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted; and
- 8.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and reviewing the scope of the audit;
- 8.6.5 assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, ethical standards and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 8.6.6 satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 8.6.7 agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account ethical standards and legal requirements, and monitoring the application of this policy;
- 8.6.8 monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and ethical standards, including the guidance on the rotation of audit partner and staff;
- 8.6.9 monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and ethical standards;
- 8.6.10 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements, which shall include a report from the external auditor on their own internal quality procedures;
- 8.6.11 seek to ensure co-ordination of the external audit with the activities of the internal audit function;
- 8.6.12 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;

- 8.6.13** develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
- 8.6.13.1** threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 8.6.13.2** the nature of the non-audit services;
 - 8.6.13.3** whether the external audit firm is the most suitable supplier of the non-audit services;
 - 8.6.13.4** the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 8.6.13.5** the criteria governing compensation;
- 8.6.14** meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage), and, at least once a year, meet the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.6.15** discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 8.6.16** review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
- a discussion of any major issues which arose during the audit;
 - the auditor's explanation of how the risks to audit quality were addressed;
 - key accounting and audit judgements;
 - the auditor's view of their interactions with senior management;
 - levels of errors identified during the audit;
 - review any representation letter(s) requested by the external auditor before they are signed by management;

- review the management letter and management’s response to the auditor’s findings and recommendations; and
- review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor’s response to questions from the Committee.

9. REPORTING RESPONSIBILITIES

- 9.1. The Committee Chair shall, on request, report formally to the Board on the Committee’s proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee shall compile an Audit & Risk Committee Report to Shareholders on its activities to be included in the Company’s Annual Report. The report should describe the work of the Audit & Risk Committee, including:
 - 9.4. an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor; information on the length of tenure of the current audit firm; when a tender was last conducted; and advance notice of any retendering plans;
 - 9.5. an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code;
 - 9.6. a statement, as required under LR9.8, as to whether the disclosures contained in the Company’s Annual Report are consistent with the Task Force on Climate Related Financial Disclosures (“TCFD”) recommendations. Where any disclosures contained in the Annual Report are not consistent with some or all of the TCFD’s recommendations, the statement shall provide an explanation as to why, and a description of any steps the Board is taking to rectify this; and where any disclosures have been included in a document other than the Annual Report, the statement shall contain an explanation of why, and in which other document the various disclosures can be found.
 - 9.7. In compiling the report referred to in 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the

Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to Shareholders need not repeat information disclosed elsewhere in the Annual Report and Accounts, but could provide cross-references to that information.

10. OTHER MATTERS

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for advice and assistance as required;
- 10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 10.3 give due consideration to laws and regulations, the provisions of the Code and published guidance, the requirements of the Listing Rules, the Prospectus Directive and the Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 10.4 be responsible for oversight of the co-ordination of the internal and external auditors;
- 10.5 oversee any investigation of activities which are within its terms of reference;
- 10.6 work and liaise as necessary with all other Board Committees, ensuring its interaction between Committees and with the Board is reviewed regularly; and
- 10.7 arrange for periodic evaluation of the Committee's performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

11 AUTHORITY

The Committee is authorised to:

- 11.1 seek any information it requires from any employee of the Company in order to perform its duties;
- 11.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3 call any employee to be questioned at a meeting of the Committee as and when required; and

- 11.4 have the right to publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

Version control

Version	Date Approved	Approved By	Description
1	5 August 2015	Board	Annual Review
2	6 June 2016	Board	Annual Review
3	7 June 2017	Board	Annual Review
4	25 June 2018	Board	Annual Review
5	27 November 2018	Board	Annual Review
6	12 November 2019	Board	Annual Review
7	29 July 2020	Board	Updated following CD&R agreement
8.	15 September 2021	Board	Annual Review
9.	15 December 2022	Board	Annual Review and expansion of Committee's scope to include Risk
10.	22 September 2023	Board	Annual Review